

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 04 TAIPEI 003675

SIPDIS

STATE PASS AIT/W

E.O. 12958: DECL: 09/06/2015

TAGS: [PGOV](#) [TW](#)

SUBJECT: PAN-BLUE DIVERSIFIES CROSS-STRAIT STRATEGY

REF: A. TAIPEI 3454

[1](#)B. TAIPEI 2968

[1](#)C. TAIPEI 2881

Classified By: AIT Acting Director David J. Keegan, Reason(s): 1.4 (B/D).)

[1](#)1. (C) Summary: Hoping to continue the momentum established by his May 2005 "five point consensus" with Beijing, and only two days before stepping down as KMT Chairman, Lien Chan announced a KMT plan to send local KMT officials to meet with their Chinese Communist Party (CCP) counterparts. Lien also intends to establish a cross-strait "Peace Foundation" to improve trade, tourism, and other ties. Senior KMT officials have told AIT that Chairman Ma wholeheartedly supports Lien's "five point consensus," and had personally asked Lien to continue managing the cross-strait portfolio. PFP LY officials recently organized a cross-strait financial forum in Shanghai, and are jointly planning with Shanghai CCP officials another economics and trade forum there for mid-September. The Mainland Affairs Council (MAC) and DPP LY leaders have urged the KMT and PFP to avoid doing anything that would compromise Taiwan's interests. End summary.

KMT Economic and Cultural Exchanges

[1](#)2. (U) On August 16, outgoing KMT Chairman Lien Chan announced that the KMT and Chinese Communist Party (CCP) would begin a series of exchanges of city and county-level party officials in late August. Lien's announcement followed the return to Taiwan of Tseng Yung-chuan, the Director of the KMT's Central Policy Committee. Heading a delegation of five senior KMT members, Tseng flew to Beijing on August 15 to discuss direct cross-strait passenger and cargo charter flights. Tseng said publicly that the KMT hopes to facilitate approval for cross-strait passenger charter flights in time for the September 18 Moon Festival, without adversely affecting ongoing cargo flight talks. While in Beijing, KMT legislator John Chiang proposed future discussions of cross-strait tourist charter flights, and direct Taiwan-Shanghai and Taiwan-Shenzhen shipping routes. Mainland Affairs Council (MAC) Chair Joseph Wu said August 31 that cross-strait flights would not be possible without official negotiations. (Comment: If Taiwan insists on that, it would amount to a rejection of the Macau model, where industry-to-industry talks, with technical input from civil aviation authorities, resulted in a successful trial run of flights during the February 2005 Chinese New Year period. End Comment.)

[1](#)3. (U) Lien's exchange program includes the following visits:

-- August 23-26: KMT officials from Taichung City visited Xiamen

-- August 26-31: KMT officials from Changhua County toured Qingdao

-- August 30-September 5: KMT officials from Hsinchu City visited for Suzhou

-- September 14-19: KMT representatives from Kaohsiung City will tour Fuzhou

-- September 19-24: KMT city government officials from Keelung will visit Ningbo City

-- Mid-September: A Tainan City - Shenzhen exchange will be scheduled for mid-September

In his August 16 announcement, Lien stated that these local-level exchanges will not only help "strengthen communications and friendship, but will also promote cross-strait exchanges in culture and goods." Lien added that this series of visits is "just the beginning," and that other exchanges would follow.

[1](#)4. (C) KMT LY member and Director of Policy Tseng Yung-chuan told AIT that Chairman Ma wholly supports the "five point consensus" agreed to by Lien Chan and Hu Jintao in May 2005, and that Ma had personally asked Lien to continue managing the party's cross-strait policy. Ma also agreed that Lien,

as a private citizen, should continue to represent the KMT in future visits to the Mainland, since Ma, in his official capacity as Taipei City Mayor, could not. KMT Deputy Policy Director Chang Jung-kung told AIT in a separate meeting that Lien's cross-strait policy had yielded significant public opinion gains for the KMT, and that Ma would not deviate from that policy before the city-county elections scheduled for early December, for fear of alienating potential KMT voters. However, Chang said, if the elections turn out to be a success for the KMT, Ma may become more confident of his leadership position, and he may seek to exert more control over cross-strait policy. Both Tseng and Chang told AIT that although Lien is "in charge" of KMT cross-strait policy, his policy decisions must still be vetted by the Central Standing Committee, and Ma, as Chairman, will have the final say. (Comment: Given the large number of Wang Jin-pyng supporters, who are almost certain to support Lien on the Central Standing Committee as well, Ma may find that any "final say" may be difficult and costly. End Comment.)

15. (C) Blue-leaning National Taiwan University Professor Philip Yang told AIT that political and practical reasons forced the KMT and PFP to open up dialogue with the PRC: if the Pan-Blues continued to compete with the DPP in emphasizing how "bad" China was, the KMT would never win another election, since the terms of that debate would always favor the DPP. Six years of the DPP demonizing the PRC and restricting the "three links," moreover, had deprived Taiwan's economy and its people of opportunities presented by China's precipitous economic growth. Perhaps more importantly, they had jeopardized Taiwan's security by alienating the Beijing government and the Chinese people. By opening communication channels with China, Yang said, the KMT was helping its own political prospects while simultaneously boosting economic opportunities for Taiwan.

16. (C) In a separate conversation, KMT Policy Director Tseng said Lien Chan had "defused" the Chinese people's anger toward Taiwan, who were now more willing to forego force, and rely upon economic and social links to bring about reunification. Director Tseng and Professor Yang both dismissed the notion that the KMT was usurping the authority of Taiwan's democratically elected DPP government by conducting extra-governmental exchanges, arguing that the KMT could only influence, and not determine, the cross-strait policy of Taiwan's elected government. President Chen still had the final say on the extent to which the "three links" and other cross-strait policy matters would change.

KMT-PRC Peace Forum

17. (U) On August 29, KMT Deputy Policy Director Chang Jung-kung announced publicly that the KMT will participate in a forum on cross-strait peace, to be held in China later this year. The announcement followed reporting in Taiwan that former KMT Chairman Lien Chan had taken initial steps to establish a foundation to promote cross-strait peace. Chang Jung-kung announced that Lien had in fact submitted applications to relevant government agencies for approval to establish the "Cross-Taiwan Strait Peace Foundation," and that Lien had already begun raising public funds for its creation. The China Post reported that KMT Chairman Ma Ying-jeou knew of Lien's plans and believed the Foundation could serve as a positive force in seeking cross-strait peace. The KMT is also planning to convene a forum in Taipei to enable senior KMT and CCP leaders to discuss means to improve and expand the "three links" between Taiwan and the PRC. Invitations have already reportedly been extended to several senior CCP officials, but a date has not been set.

18. (C) KMT Deputy Policy Director Chang explained to AIT that the reason Lien sought to establish the Peace Foundation was to attract private funds to support the KMT's exchange visits to the PRC. Chang said the KMT had no money, and that individual members had been paying their own travel expenses. It is Lien's hope, Chang said, that the Taiwan business community, which stands to benefit from improved market access, direct shipping routes, and better PRC regulatory protections, would be willing to finance the KMT's efforts toward those goals. Chang said the Peace Foundation would have the added advantage of no formal ties to the KMT, making it a more attractive negotiating partner for Beijing. NTU Professor Yang noted that this configuration could be advantageous to Ma, should he need to distance himself from Lien's pro-China policies in advance of the 2008 presidential election.

PFP Cross-Strait Activities

19. (U) PFP Secretary General Chin Chin-sheng led a delegation of PFP representatives to Beijing August 21-25 to arrange a cross-strait forum on financial and economic issues to be held in Shanghai September 14-16. The forum is being jointly organized by the PFP and the PRC Central Office for

Taiwan Affairs. Chin told the press the forum would be an opportunity for leaders on both sides to exchange views on trade and economy in the absence of official contacts. PFP LY member Christina Liu (Yi-ru) told AIT that PFP Chairman James Soong will preside over the opening ceremony if PRC leaders of comparable stature attend. Liu said that she will not participate in the Shanghai forum because it is insufficiently bipartisan. She recently led a 30-person inter-party delegation to Shanghai and Nanjing, August 21-24, which focused on currency exchange and Taiwan firms in China listing on the Taiwan Stock Exchange. Liu told AIT that, although DPP leaders blocked DPP legislators from participating in the delegation, MAC supports the currency exchange initiative.

Pan-Green Reaction: Don't Go Too Far

10. (U) On August 30, DPP Legislative Whip William Lai (Ching-de) publicly urged the Pan-Blues to avoid jeopardizing Taiwan's survival and sustainable development during their interactions with the PRC. Lai also stated his fear that the Pan-Blues would use their slim LY majority to coerce the Taiwan government to accept "consensus" documents and other agreements generated by KMT and PFP cross-Strait forums. Taiwan's Mainland Affairs Council (MAC) on August 10 issued a public response to recent KMT efforts to broker zero-tariff treatment for various Taiwan fruit exports to the Mainland. MAC warned that China's market for high-cost, high-quality fruit is limited by China's low per capita income, and that PRC trade incentives were obviously a strategy to "divide Taiwan's governing and opposition parties, and Taiwan's farmers and government." This issue was discussed more fully at reftel B.

11. (C) DPP Director of Chinese Affairs Tung Li-wen told AIT that the DPP is fearful the KMT will use its city-by-city cross-Strait exchange program to combine and retake control of local business organizations and turn them once again into part of the KMT political machine. While the KMT is focused on cross-Strait trade and transportation issues, Tung said, the PFP is staking its political claim on helping Taiwan financial organizations penetrate the PRC's finance, banking, and insurance sectors, which, in accord with WTO obligations, are due to open soon. Tung said the most frightening aspect of the Pan-Blue cross-Strait agenda is not the prospect of Pan-Blue domestic political gains, but rather the creation of direct grass-roots links between Taiwan business and political leaders and the PRC, which the PRC can exploit to learn more about Taiwan's internal political workings. Tung said the DPP must be perceived by voters as doing more than simply saying "No" to Pan-Blue cross-Strait proposals. Instead, President Chen and the DPP must educate the public about their own work on cross-Strait relations, and even engage the Pan-Blues in a collaborative process. Tung also suggested that the DPP, taking a page out of the Pan-Blue book, would in the near future designate private sector agencies to serve as proxies on a number of key cross-Strait issues. Premier Frank Hsieh announced in June 2005 the intention to designate non-governmental organizations to discuss the "three links" (reftel C), but we have not seen much movement in that direction thus far.

12. (C) Comment: Lien Chan's role as architect of KMT cross-Strait policy seems assured, at least until after Taiwan's December 2005 city-county elections. Chairman Ma appears to value the KMT's recent dialogues with the PRC, and the prospect that the KMT's resulting new popularity can carry the KMT to victory in December's city and county elections. At the same time, Ma's distance from the KMT's cross-Strait policy under Lien Chan enables Ma to focus on resolving the KMT's numerous internal problems, while allowing him to blame Lien should the public sour on the party's close contact with the Mainland. President Chen and his Pan-Green allies will continue to feel pressure as long as KMT and PFP can continue pushing initiatives that promise to expand the "three links" across the Strait. End Comment.
KEEGAN